



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
ADAIR COUNTY CLERK**

Calendar Year 2000

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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE ADAIR COUNTY CLERK

Calendar Year 2000

On April 26, 2001, fieldwork was completed on the Adair County Clerk's fee audit. An unqualified (clean) opinion was issued on the statement of receipts, disbursements, and excess fees. There were no material instances of noncompliance and no reportable conditions.

Excess Fees:

The County Clerk had gross receipts of \$3,668,755 disbursements of \$3,539,371, which includes the clerk's statutory maximum and education incentive pay of \$57,876. The remaining \$138,384 balance was excess fees paid the County April 26, 2001.

Fee Account Financial Position:

Adequate funds were available to pay all 2000 fee obligations.

Deposits:

As of December 31, 2000, the County Clerk's deposits were fully insured or collateralized at a 100% level with securities held by the county official's agent in the county official's name. The County Clerk had a written collateral security agreement, which met all legal requirements.

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Jerry M. Vaughan, Adair County Judge/Executive
Honorable Ann Melton, Adair County Clerk
Members of the Adair County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Adair County, Kentucky, for the year ended December 31, 2000. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 2000, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
T. Kevin Flanery, Secretary
Finance and Administration Cabinet
Dana Mayton, Secretary, Revenue Cabinet
Honorable Jerry M. Vaughan, Adair County Judge/Executive
Honorable Ann Melton, Adair County Clerk
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In accordance with Government Auditing Standards, we have also issued our report dated April 26, 2001, on our consideration of the County Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 26, 2001

ADAIR COUNTY
ANN MELTON, COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 2000

Receipts

State Grants:

Library and Archive Grants	\$	24,895
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State Fees For Services		7,438
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Fiscal Court		4,183
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Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$ 543,200	
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Usage Tax	2,021,732	
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Tangible Personal Property Tax	816,923	
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Licenses-

Marriage	4,657	
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Deed Transfer Tax	28,114	
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Delinquent Tax	74,082	3,488,708
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Fees Collected for Services:

Recordings-

Deeds, Easements, and Contracts	\$ 19,247	
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Real Estate Mortgages	22,886	
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Chattel Mortgages and Financing Statements	66,610	
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Powers of Attorney	1,222	
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All Other Recordings	14,550	
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Charges for Other Services-

Title Applications	3,478	
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Copywork	1,837	129,830
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Other:

Lien Fees	\$ 4,087	
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Insurance Claim	996	
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Over/Under	231	
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Return Check Fees	75	5,389
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Interest Earned		8,312
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Gross Receipts		\$ 3,668,755
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ADAIR COUNTY
 ANN MELTON, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2000
 (Continued)

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers \$ 419,781

Usage Tax 1,960,285

Tangible Personal Property Tax 292,818

Licenses-

Delinquent Tax 9,616

Legal Process Tax 19,913 \$ 2,702,413

Payments to Fiscal Court:

Tangible Personal Property Tax \$ 62,434

Delinquent Tax 7,993

Deed Transfer Tax 26,803 97,230

Payments to Other Districts:

Tangible Personal Property Tax \$ 428,995

Delinquent Tax 36,216 465,211

Payments to Sheriff

1,876

Payments to County Attorney

11,443

Operating Disbursements and Capital Outlay:

Personnel Services-

Deputies Salaries \$ 122,668

Employee Benefits-

Employer's Share Social Security 12,935

Contracted Services-

Advertising 21

Printing and Binding 5,565 141,189

ADAIR COUNTY
 ANN MELTON, COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 2000
 (Continued)

Disbursements (Continued)

Operating Disbursements and Capital Outlay: (Continued)

Library and Archives Grant:

Indexing	\$	5,200	
Microfilming		19,695	\$ 24,895
Other Charges-			
Conventions and Travel	\$	3,695	
Dues		450	
Postage		167	
Refunds		2,537	
Bank Charges		121	
Uncollected Coal Checks		227	
Cash Drawer		1,200	
Miscellaneous		481	
Capital Outlay-			
Office Equipment		15,760	24,638
Total Disbursements			\$ 3,468,895
Net Receipts			\$ 199,860
Less: County Clerk's Statutory Maximum	\$	56,482	
County Clerk's Training Incentive		1,394	57,876
Excess Fees			\$ 141,984
Less: Expense Allowance			3,600
Excess Fees Due County for Calendar Year 2000			\$ 138,384
Payments to County Treasurer - February 13, 2001	\$	124,229	
April 26, 2001		14,155	138,384
Balance Due at Completion of Audit			\$ 0

The accompanying notes are an integral part of the financial statement.

ADAIR COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 2000

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this basis of accounting, certain receipts and certain expenditures are recognized as a result of accrual at December 31, 2000.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

ADAIR COUNTY
NOTES TO FINANCIAL STATEMENT
December 31, 2000
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 64.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of December 31, 2000, the County Clerk's deposits were fully insured or collateralized at a 100% level with collateral of either pledged securities held by the County Clerk's agent in the County Clerk's name.

Note 4. Grants

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$5,200 and received \$23 in interest. Funds totaling \$5,200 were expended during calendar year 2000. The unexpended grant balance is \$ 23 as of December 31, 2000.

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$18,395 in calendar year 2000, and \$1,300 in the prior year. Funds totaling \$19,695 were expended during calendar year 2000. The unexpended grant balance is \$0 as of December 31, 2000.

Note 6. Lease

The office of the County Clerk is committed to a lease agreement with Barmill, Inc. for a copier. The agreement requires a monthly payment of \$316 for 48 months to be completed on May 31, 2003. The total balance of the agreement is \$8,842 as of December 31, 2000.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Adair County Clerk for the year ended December 31, 2000, and have issued our report thereon dated April 26, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Adair County Clerk's financial statement for the year ended December 31, 2000, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Adair County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
April 26, 2001

